

## Message Text

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ORIGIN NEA-10

INFO OCT-01 ISO-00 FEA-01 AGRE-00 CEA-01 CIAE-00  
COME-00 DODE-00 EB-08 FRB-03 H-01 INR-07 INT-05  
L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05 SS-15  
STR-04 ITC-01 TRSE-00 USIA-06 PRS-01 SP-02 OMB-01  
/085 R

DRAFTED BY NEA/INS:JRGRAHAME:JES  
APPROVED BY NEA/INS:DKUX  
EB/GCP:SLYNN  
COMMERCE:MADERHOLD  
-----301907Z 082201 /45  
R 300058Z APR 77  
FM SECSTATE WASHDC  
TO AMEMBASSY NEW DELHI  
INFO AMCONSUL BOMBAY  
AMCONSUL MADRAS

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E.O. 11652: N/A

TAGS: BDIS, ETRD, US, IN

SUBJECT: CASHEW IMPORTS PROBLEM

1. ASSOCIATION OF FOOD DISTRIBUTORS, (AFD) EXECUTIVE VICE  
PRESIDENT (HAROLD BRUCE) HAS REQUESTED DEPT ASSISTANCE WITH  
PROBLEMS U.S. CASHEW IMPORTERS CURRENTLY HAVE WITH INDIAN  
EXPORTERS. AFD REPRESENTS VIRTUALLY ALL U.S. CASHEW IMPORT-  
ERS.

2. AFD STATES THAT INDIAN EXPORTERS ARE NOT HONORING EXPORT  
CONTRACTS SIGNED IN AUTUMN 1976. ACCORDING AFD INDIANS HAVE  
HALTED SHIPMENTS AND ARE ATTEMPTING TO RENEGOTIATE CON-  
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TRACTS AT CURRENT PRICES, WHICH ARE ABOUT 80 PERCENT HIGHER  
THAN PRICES AT WHICH CONTRACTS SIGNED. AFD SAYS THAT ITS  
MEMBERS HAVE BINDING SALES CONTRACTS WITH U.S. NUT PROCESSORS  
BASED ON THEIR 1976 CONTRACTS WITH INDIAN EXPORTERS AND ARE  
CAUGHT IN SERIOUS PRICE SQUEEZE. ACCORDING TO AFD, WERE THE  
AMERICAN EXPORTERS TO BUY CASHEWS ON OPEN MARKET NOW TO RE-  
PLACE DEFAULTED INDIAN CONTRACTS AND MEET THEIR COMMITMENTS

TO U.S. PROCESSORS, THEIR LOSSES WOULD TOTAL ABOUT 7 MILLION DOLS.

3. AFD SAYS THAT GOVERNMENT OF KERALA HANDLES ABOUT 25 PER-

CENT OF TRADE WITH BALANCE COMING FROM PRIVATE SECTOR KERALA EXPORTERS. THEY MAINTAIN THAT GOI BEARS SOME RESPONSIBILITY FOR EVENTS SINCE STATE TRADING CORPORATION AGREED TO RENEGOTIATE PRICE OF UNFINISHED CASHEWS IT HAD CONTRACTED TO PURCHASE FROM TANZANIA AFTER INDIAN EXPORTERS HAD CONCLUDED CONTRACTS WITH U.S. IMPORTERS. AFD BELIEVES THAT STC ACTION PROMPTED INDIAN EXPORTERS TO HALT SHIPMENTS AND ATTEMPT TO RENEGOTIATE OR DEFAULT ON THEIR CONTRACTS WITH U.S. TRADE.

4. ALTHOUGH CASHEW CONTRACTS CONTAIN ARBITRATION CLAUSES AND SOME AMERICAN IMPORTERS HAVE OBTAINED ARBITRATION AWARDS AGAINST INDIAN COMPANIES IN PAST, AFD SAYS THAT THESE AWARDS HAVE NOT BEEN PAID, ALLEGEDLY BECAUSE OF RESERVE BANK OF INDIA OBJECTIONS. THEREFORE, THEY DO NOT CONSIDER ARBITRATION OF CURRENT CONTRACT DISPUTES VIABLE ALTERNATIVE.

5. AFD STATES THAT ITS MEMBERS IMPORT ABOUT 100 MILLION DOLS WORTH OF CASHEWS FROM INDIA ANNUALLY AND THAT CURRENT SITUATION BOTH DAMAGES U.S. IMPORTERS AND INDIA'S REPUTATION AS RELIABLE TRADING PARTNER. THEY HAVE SEEN INDIAN EMBASSY (DIXIT) ON PROBLEM.

6. REQUEST EMBASSY REVIEW SITUATION WITH CONCERNED GOI LIMITED OFFICIAL USE

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OFFICIALS AND ASSESS POSSIBILITIES FOR EQUITABLE RESOLUTION. WE ARE PARTICULARLY INTERESTED IN TRUTH OF ALLEGATION THAT RBI HAS PREVENTED PAYMENT OF OUTSTANDING ARBITRATION AWARDS.

CHRISTOPHER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** IMPORTS, TRADE COMPLAINTS  
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**Decaption Date:** 01-Jan-1960 12:00:00 am  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 22 May 2009  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1977STATE097839  
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**Drafter:** JRGRAHAME:JES  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Office:** ORIGIN NEA  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Previous Handling Restrictions:** n/a  
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**Review Exemptions:** n/a  
**Review Media Identifier:**  
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**Subject:** CASHEW IMPORTS PROBLEM  
**TAGS:** BDIS, ETRD, NUTS, US, IN  
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**Type:** TE  
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**Review Markings:**  
Margaret P. Grafeld  
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